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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Washington, D.C.

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING

01/01/07

MM/DD/YY

AND ENDING

12/31/07

MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

YieldQuest Securities, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3280 Peachtree Rd. Suite 2600

(No. and Street)

Atlanta

(City)

GA

(State)

30305

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Wade J. Bowden &amp; Company CPAs, P.C.

(Name - if individual, state last, first, middle name)

3150 Hwy 278, Ste 355

(Address)

Covington

(City)

GA

(State)

30014

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

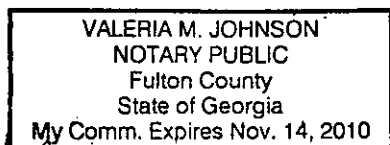
SEC 1410 (06-02)

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# OATH OR AFFIRMATION

I, David Summers, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of YieldQuest Securities, LLC, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Valeria M Johnson  
Notary Public

[Signature]  
Signature  
Managing Director  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**YIELDQUEST SECURITIES, LLC**

FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2007 AND INDEPENDENT  
AUDITORS' REPORT

***Wade J Bowden & Company, P.C.***

# **YIELDQUEST SECURITIES, LLC**

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**WADE J BOWDEN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Members and Directors  
YIELDQUEST SECURITIES, LLC

We have audited the statement of financial condition of YieldQuest Securities, LLC as of December 31, 2007 and the related statements of operations, changes in members' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YieldQuest Securities, LLC as of December 31, 2007 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Wade J. Bowden & Company*

Atlanta, Georgia  
February 11, 2008

# **YIELDQUEST SECURITIES, LLC**

## **STATEMENT OF FINANCIAL CONDITION December 31, 2007**

### **ASSETS**

#### **CURRENT ASSETS:**

Cash	\$	135,002
Deposits with clearing organizations		358,716
Commissions receivable		295,721
Employee advances		1,500
Due from member - current		1,701
Prepaid expenses		6,178
Due from RIA under common control		7,857
Total current assets		806,675

#### **FURNITURE AND EQUIPMENT**

Less accumulated depreciation		(251,367)
Furniture and equipment - net		361,133

#### **OTHER ASSETS:**

Organizational costs, net of accumulated amortization of \$1,075		1,148
Deposits		47,513
Due from members - long term		105,468
Employee advances - long term		9,596
Total other assets		163,725

<b>TOTAL</b>	<b>\$</b>	<b>1,331,533</b>
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### **LIABILITIES AND MEMBERS' EQUITY**

#### **CURRENT LIABILITIES:**

Accounts payable and accrued expenses	\$	146,646
Accrued bonuses payable		50,500
Payable to clearing organization		228,631
Due to RIA under common control		34,448
Total current liabilities		460,225

#### **LONG-TERM LIABILITY - deferred rent payable**

#### **TOTAL LIABILITIES**

#### **MEMBERS' EQUITY**

<b>TOTAL</b>	<b>\$</b>	<b>1,331,533</b>
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See Independent Auditors' Report and  
Notes to Financial Statements.

# YIELDQUEST SECURITIES, LLC

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2007

<b>COMMISSIONS</b>	<b>\$ 5,833,374</b>
<b>OPERATING EXPENSES:</b>	
Salaries and benefits	3,162,655
Legal and professional fees	1,161,272
Clearing	491,160
Rent	286,159
Research	214,059
Depreciation	87,214
Travel	86,447
Meals and entertainment	67,431
Compliance	63,502
Telephone	53,874
Insurance	52,870
Office	52,163
Advertising	42,638
Cleaning and maintenance	29,335
Fund distribution	26,898
Postage and delivery	15,599
Taxes and licenses	15,831
Auto	7,074
Bank charges	4,143
Printing and reproduction	3,346
Continuing education	2,409
Amortization	445
Total expenses	<b>5,926,524</b>
<b>Loss before other income &lt;expense&gt;</b>	<b>(93,150)</b>
<b>OTHER INCOME &lt;EXPENSE&gt;:</b>	
FINRA consolidation income	35,000
Interest income	8,522
Trading gain	993
Charitable contributions	(7,000)
<b>Net other income</b>	<b>37,515</b>
<b>NET LOSS</b>	<b>\$ (55,635)</b>

See Independent Auditors' Report and  
Notes to Financial Statements.

# YIELDQUEST SECURITIES, LLC

## STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

MEMBERS' EQUITY, JANUARY 1	\$	783,322
Net loss		(55,635)
2007 member contributions		248,746
2007 member distributions		(135,945)
MEMBERS' EQUITY, DECEMBER 31	\$	840,488

See Independent Auditors' Report and  
Notes to Financial Statements.



# **YIELDQUEST SECURITIES, LLC**

## **STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007**

### **OPERATING ACTIVITIES:**

Net loss	\$	(55,635)
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Adjustments to reconcile net loss to net  
cash used by operating activities:

Depreciation and amortization	87,659
Increase in deposits with clearing organizations	(358,716)
Decrease in commissions receivable	267,903
Decrease in employee advances	309
Increase in due from members	(107,169)
Increase in prepaid expenses	(6,178)
Increase in due from RIA under common control	(7,857)
Increase in deposits	(15,578)
Increase in accounts payable and accrued expenses	52,572
Decrease in bonuses payable	(66,500)
Decrease in payable to clearing organization	(180,175)
Increase in due to RIA under common control	34,448
Increase in deferred rent	30,820

Net cash used by operating activities	(324,097)
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<b>INVESTING ACTIVITY - purchase of fixed assets</b>	<b>(187,438)</b>
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### **FINANCING ACTIVITIES:**

Member contributions	248,746
Member distributions	(135,945)

Net cash provided by financing activities	112,801
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<b>NET DECREASE IN CASH</b>	<b>(398,734)</b>
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<b>CASH AT BEGINNING OF YEAR</b>	<b>533,736</b>
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<b>CASH AT END OF YEAR</b>	<b>\$ 135,002</b>
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See Independent Auditors' Report and  
Notes to Financial Statements.

# **YIELDQUEST SECURITIES, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization and Nature of Business**

YieldQuest Securities, LLC (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and FINRA. The Company is a Georgia limited liability company (LLC).

#### **Basis of Presentation**

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services.

#### **Income Taxes**

The Company is a limited liability company for income tax reporting purposes, and as such, is not subject to income tax. Accordingly, no provision for income taxes is provided in the financial statements.

#### **Estimates**

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Depreciation and Amortization**

Depreciation is computed on the same basis that the Company uses for its partnership income tax returns, on a tax basis. This basis encompasses using the modified accelerated cost recovery system (MACRS) using useful lives of five to thirty one years. The difference between the tax basis used and depreciation in accordance with generally accepted accounting principles was deemed immaterial. Amortization is provided on a straight-line basis using an estimated useful life of five years.

#### **Commissions**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. The transactions recorded on a settlement-date basis will not be materially different from the trade-date basis.

#### **Concentration of Credit Risk**

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash.

**2. DEPOSITS WITH CLEARING ORGANIZATIONS**

The amounts deposited with clearing organizations for the year ended December 31, 2007 is \$358,716. The Company clears all of its customer transactions through a broker-dealer independent of the Company on a fully disclosed basis.

**3. COMMISSIONS RECEIVABLE**

Commission revenue is derived as the Company acting as an agent buying and selling securities on behalf of its customers. In return for such services, the Company charges a commission. Each time a customer enters into a buy or sell transaction a commission is earned by the Company for its selling and administrative efforts. Commissions receivable for the year ended December 31, 2007 is \$295,721.

**4. COMMITMENTS**

The Company has obligations under operating leases with initial non-cancelable terms in excess of one year. Aggregate annual rentals for office space at December 31, 2007 are as listed below:

Year Ending December 31:		
2008	\$	501,583
2009		481,108
2010		393,379
2011		402,410
2012		411,699
Thereafter		1,071,856
		\$ 3,262,035

A portion of the aggregate annual rentals shown above includes 100% of the rental obligation for facilities shared by the Company and YieldQuest Advisor's, LLC (the RIA). The Company and the RIA each pay a portion of the rental expense for such facility based on a management expense sharing agreement, see also note 7. The Company's aggregate rent expense for the year ended December 31, 2007 is \$286,159.

In October, 2007, the Company moved to new facilities signing a 90 month lease. As incentive for the Company to move, the landlord provided free rent for the the first six months of occupancy. Starting in October, 2007, rent expense was recorded based on the total rental commitment of 90 months. Due to the free rent term, however, there was a difference in the expense recorded and the actual rent remitted. The difference between the expense and the rent remitted is recorded as deferred rent on the statement of financial condition. As of December 31, 2007, deferred rent is \$30,820.

**5. OTHER INCOME <EXPENSE>**

Included in other income is \$35,000 received from FINRA. The revenue was received due to the consolidation of the National Association of Securities Dealers (NASD) and the New York Stock Exchange Member Regulation. This is a one-time payment and one of the benefits of the aforementioned consolidation.

**6. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2007, the Company had net capital of \$282,548, which was \$182,548 in excess of its required net capital of \$100,000. The Company's percentage of aggregate indebtedness to net capital was 92.87%.

**7. RELATED PARTY TRANSACTIONS**

In 2007, five valued employees were offered minority interests in the Company for their dedicated work and service. Demand notes were executed to pay for their respective interests. The amounts due from the members is reported on the statement of financial condition. Total contributions by members during 2007 is \$248,746 and is reflected on the statement of changes in members' equity as member contributions. Additionally, members received total salaries of \$2,318,358 for the year ended December 31, 2007 which is reported as part of salaries and benefits on the statement of operations. Member distributions for the year ended December 31, 2007 is \$135,945 and is reflected on the statement of changes in members' equity as member distributions.

The Company and YieldQuest Advisors, LLC (the RIA), a company under common control, share office space and have entered into a management expense sharing agreement (Agreement). Certain shared expenses are allocated between the the Company and the RIA based on square footage utilized by each company respectively. Expenses paid by the RIA in which the Company owes reimbursement is \$34,448 which is reflected as due to RIA under common control on the statement of financial condition. Expenses paid by the Company in which the RIA will reimburse the Company is \$7,857 reflected on the statement of financial condition as due from RIA under common control.

In addition to the RIA, there are two additional related companies - Global Select, Inc. and BKC Systems, Inc. Both companies provide marketing support. Global Select received \$609,000 for its efforts during 2007, and BKC Systems, Inc. received \$246,000 and both amounts are included in the statement of operations as legal and professional fees.

**8. EXEMPTIVE PROVISION**

The Company meets all of the requirements for exemption from SEC Rule 15c3-3 with regard to the computation for determination of reserve requirements. The Company does not hold funds or securities for, or owe money or securities to, customers.

# YIELDQUEST SECURITIES, LLC

## COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AS OF DECEMBER 31, 2007

SCHEDULE 1	
<b>TOTAL MEMBERS' EQUITY QUALIFIED FOR NET CAPITAL</b>	<b>\$ 840,488</b>
<b>DEDUCTIONS AND/OR CHARGES:</b>	
Nonallowable assets:	
Furniture and equipment - net	(361,133)
Employee advances	(11,096)
Due from members	(107,169)
Prepaid expenses	(6,178)
Due from RIA under common control	(7,857)
Organizational costs - net	(1,148)
Deposits	(47,513)
15c3-1(f) securities	(15,846)
<b>NET CAPITAL</b>	<b>\$ 282,548</b>
<b>AGGREGATE INDEBTEDNESS:</b>	
Accounts payable and accrued expenses	146,646
Accrued bonuses payable	50,500
Due to RIA under common control	34,448
Deferred rent payable	30,820
<b>Total aggregate indebtedness</b>	<b>262,414</b>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT -</b>	
Minimum net capital required	100,000
<b>Excess net capital</b>	<b>182,548</b>
<b>Excess net capital at 1,000 percent</b>	<b>256,306</b>
<b>Percentage of aggregate indebtedness to net capital</b>	<b>92.87%</b>

There is no difference in the above computation and the Company's net capital, as reported in the Company's Part II (unaudited) FOCUS report as of December 31, 2007.

See Independent Auditors' Report

# **WADE J BOWDEN & COMPANY**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

## **REPORT ON INTERNAL CONTROL**

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### **REQUIRED BY**

### **SECURITIES EXCHANGE COMMISSION (SEC) RULE 17A-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM (SEC) RULE 15C3-3**

To the Members and Directors  
YieldQuest Securities, LLC

In planning and performing our audit of the financial statements and supplementary schedule of YieldQuest Securities, LLC (the "Company"), as of and for the year ended December 31, 2007, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

See Independent Auditors' Report and  
Notes to Financial Statements.

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Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities that we consider to be material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be used by anyone other than these specified parties.

*Wade J. Bruden & Company*

Atlanta, Georgia  
February 11, 2008

See Independent Auditors' Report and  
Notes to Financial Statements.

END